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Farm-Mortgage Lending

Experience of 20 Life Insurance Companies,
Federal Land Banks, and
Farmers Home Administration

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Farm-mortgage lending by the three groups of reporting lenders continued to increase in the second quarter (April-June) of 1964. The volume of new loans made, together with increases in old loans, reached \$516 million, \$100 million or 24 percent more than that loaned in the second quarter of 1963.

The Federal land banks showed the largest increase in gross loan volume--27 percent more than in the second quarter of 1963. The loan volume of the 20 reporting life insurance companies increased 26 percent. In the second quarter of 1963, life insurance company loan volume rose much more rapidly than that of the Federal land banks. Farmers Home Administration (FHA) loan volume (direct loans) increased 1 percent in the second quarter of 1964 from a year earlier.

Combined repayments of the three reporting lenders for the first half of 1964 were 7.2 percent of beginning outstandings, the same as in the first half of 1963 and higher than the first half repayment rate for the years 1960-62.

Refinancing showed a slight upward shift for life insurance companies and FHA. Delinquencies and foreclosures continued to be negligible for all three reporting lenders.

Interest rates paid on farm-mortgage loans continued to change very little during the second quarter of 1964. None of the Federal land banks have changed their rates in the last 12 months, and 9 of the banks have not changed rates for more than 3 years. Most of the banks charged 5.50 percent. Average rates charged by life insurance companies on their mortgage loan commitments in the second quarter, 5.74 percent, were also practically unchanged from the preceding quarter and a year earlier.

Federal Land Banks

The amount of loans made in the first 6 months, including increases, was 28 percent above last year. In the first 6 months of 1963, the comparable increase over a year earlier was 11 percent. The average size of loan closed during the first 6 months in 1964 averaged \$17,530, an increase of 17 percent from a year earlier. Principal repayments held steady at 4.5 percent of beginning outstandings in the first half of 1964 and delinquencies declined slightly.

Life Insurance Companies

The total volume of new lending by life insurance companies in the second quarter of 1964 was 26 percent larger than a year earlier, including an 11-percent increase in mortgages already owned. The number of loans made as well as the average size increased--by 15 percent and 23 percent respectively from a year earlier.

The rate of repayment on life insurance company loans was 2.2 percent for the quarter, down seasonally from the 4.3 percent repayment rate in the first quarter of 1964, and about in line with second quarter rates of recent years. Loan commitments of life insurance companies indicated a higher percentage for refinancing mortgages and "other indebtedness" in the second quarter, than in other recent quarters. A smaller percentage of the commitments was to purchase farm real estate.

Farmers Home Administration

The amount of direct farm-ownership and farm and nonfarm rural-housing loans made in the second quarter of 1964 was little different from a year earlier. In the quarter, \$41 million was loaned of which \$34 million was for farm and nonfarm housing and \$7 million for farm ownership. Direct farm-ownership loan commitments indicated an increase for refinancing of "other indebtedness" (non-real-estate) but a decline for refinancing real estate mortgages of "others." Repayments were at 1.5 percent of beginning outstandings, down seasonally from 1964's first quarter and about the same rate as in the second quarter of recent years.

Insured FHA loans outstanding to individuals--mostly farm-ownership loans--increased \$52 million in the second quarter and \$136 million in the 12 months ended June 1964. This compares with an increase of \$42 million in the second quarter of 1963 and \$168 million for the 12 months ended June 1963.

Tables 1 through 7 show the farm-mortgage lending activity of the three lender groups for selected periods of 1963 and 1964.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1963 and 1964

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30, 1963	Mar. 31, 1964	June 30, 1964	June 30, 1963, and June 30, 1964	Mar. 31, and June 30, 1964
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	191,930	192,698	192,485	0.3	-0.1
Principal indebtedness:					
Total-----1,000 dollars-----	3,243,935	3,541,025	1/3,656,924	12.7	3.3
Average-----dollars-----	16,900	18,380	19,000	12.4	3.4
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	4,554	5,781	5,235	15.0	-9.4
Principal indebtedness:					
Total 2/-----1,000 dollars-----	154,198	232,985	198,915	29.0	-14.6
Average 3/-----dollars-----	26,180	31,960	32,090	22.6	.4
Increase in principal of mortgages already owned 3/-----1,000 dollars-----	32,652	36,682	36,276	11.1	-1.1
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	3,714	5,959	4,043	8.9	-32.2
Amount:					
Total 4/-----1,000 dollars-----	46,893	80,620	55,253	17.8	-31.5
Average 5/-----dollars-----	12,510	11,030	13,630	9.0	23.6
Other 5/-----1,000 dollars-----	22,536	73,130	24,811	10.1	-66.1
Total-----do-----	69,429	153,750	80,064	15.3	-47.9
Percent of principal indebtedness, beginning of quarter-----	2.1	4.3	2.2	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	0	3	2	---	-33.3
Principal indebtedness:					
Total-----1,000 dollars-----	0	19	62	---	226.3
Average-----dollars-----	0	6,330	31,000	---	389.7
<u>End of Quarter</u>					
Mortgages owned:					
Number 6/-----	192,761	192,485	193,662	.5	.6
Principal indebtedness:					
Total-----1,000 dollars-----	3,361,356	3,656,923	3,811,989	13.4	4.2
Average-----dollars-----	17,440	19,000	19,680	12.8	3.6
Mortgages in process of foreclosure:					
Number-----	74	56	54	-27.0	-3.6
Percent of total-----	7/	7/	7/	---	---
Principal indebtedness-----1,000 dollars-----	1,457	1,256	1,065	-26.9	-15.2
Percent of total-----	7/	7/	7/	---	---
Mortgages with interest overdue more than 3 months:					
Number-----	591	401	522	-11.7	30.2
Percent of total-----	.3	.2	.3	---	---
Principal indebtedness-----1,000 dollars-----	19,488	14,055	13,200	-32.3	-6.1
Percent of total-----	.6	.4	.3	---	---
Mortgage-loan commitments during quarter:					
Number-----	6,007	7,839	6,358	5.8	-18.9
Amount:					
Total-----1,000 dollars-----	227,845	288,597	260,114	14.2	-9.9
Average-----dollars-----	37,930	36,820	40,910	7.9	11.1

1/ Because of consolidation and/or splitting of loans, there was a net increase of \$1,000 from the amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data; excludes the 2 companies that did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Includes principal payments on farm mortgages not paid in full for 2 companies. 5/ 18-company data; excludes the 2 companies that did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 6/ Because of consolidation and/or splitting of loans there was a net decrease of 9 loans in the 2d quarter of 1963 and 32 loans in the 1st quarter, 13 loans in the 2d quarter of 1964, respectively. 7/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies, United States, selected quarters, 1963 and 1964

Item	Quarter ending--				
	June 30,	Sept. 30,	Dec. 31,	Mar. 31,	June 30,
	1963	1963	1963	1964	1964
	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>
Amount of commitments-----	227,845	206,278	279,564	288,597	260,110
Percentage of total funds committed for--	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Farm real estate purchases---	34.3	35.9	35.0	37.3	32.6
Refinancing <u>1</u> --					
Mortgages held by--					
Own company-----	23.4	21.1	18.6	21.7	22.5
Others-----	9.1	10.8	13.6	9.1	11.1
Total-----	32.5	31.9	32.2	30.8	33.6
Other indebtedness-----	14.3	16.4	16.9	17.1	17.8
Total refinancing---	46.8	48.3	49.1	47.9	51.4
Repairs and improvements to land and buildings-----	8.3	7.3	8.0	7.6	8.0
Other purposes:					
Known-----	10.6	8.5	7.8	7.0	8.0
Unknown-----	<u>2/</u>	<u>2/</u>	<u>.1</u>	<u>.2</u>	<u>2/</u>
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another. 2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, Apr. 1 through June 30, 1964 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
Percent:					
5 or less-----	10	0.3	271,824	0.2	27,180
5 1/4-----	22	.7	531,900	.4	24,180
5 1/2-----	1,418	45.8	48,433,578	35.7	34,160
5 3/4-----	698	22.5	36,718,436	27.1	52,610
6-----	877	28.3	42,830,680	31.6	48,840
6 1/4-----	39	1.3	2,487,942	1.8	63,790
6 1/2 and over-----	33	1.1	4,345,716	3.2	131,690
Total or average-----	3,097	100.0	135,620,076	100.0	43,790

1/ The weighted average interest rate, based on 4,221 loans and a total amount committed of \$162,144,273, is 5.736 percent. The comparable rate for the previous quarter was 5.722 percent. 2 companies did not report interest rates.

Table 4.--Federal land banks: Farm-mortgage loans, United States, Jan. 1, 1961 through June 30, 1964 ^{1/}

Item	6 months ending--			Percentage change, 6 months ending--	
	June 30, 1963	Dec. 31, 1963	June 30, 1964	June 30, 1963, and June 30, 1964	Dec. 31, 1963, and June 30, 1964
<u>Beginning of Period</u>				<u>Percent</u>	<u>Percent</u>
Loans outstanding: <u>2/</u>					
Number-----	379,754	380,493	378,868	-0.2	-0.4
Principal indebtedness:					
Total-----1,000 dollars----	3,051,973	3,198,006	3,309,883	8.5	3.5
Average-----dollars-----	8,040	8,400	8,740	8.7	4.0
<u>During Period</u>					
Loans made: <u>3/</u>					
Number-----	25,550	23,119	28,149	10.2	21.8
Principal indebtedness:					
Total-----1,000 dollars----	384,257	358,603	493,441	28.4	37.6
Average-----dollars-----	15,040	15,510	17,530	16.6	13.0
Other increases: <u>4/</u>					
Number-----	66	41	53	-19.7	29.3
Amount:					
Total-----1,000 dollars----	1,080	907	1,446	33.9	59.4
Decreases:					
Principal repayments: <u>5/</u>					
Total-----1,000 dollars----	133,171	143,634	150,230	12.8	4.6
Percent of unpaid principal, beginning of period-----	4.4	4.5	4.5	---	---
Other: <u>6/</u>					
Number-----	12,457	11,994	14,303	14.8	19.3
Amount:					
Total-----1,000 dollars----	106,133	103,999	138,375	30.3	33.0
Average-----dollars-----	8,520	8,670	9,670	13.5	11.5
Paid in full:					
Number-----	12,420	12,791	12,604	1.5	-1.5
Farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	27	20	8	-70.4	-60.0
Principal indebtedness:					
Total-----1,000 dollars----	290	154	64	-77.9	-58.4
Average-----dollars-----	10,740	7,700	8,000	-25.5	3.9
<u>End of Period</u>					
Loans outstanding: <u>2/</u>					
Number-----	380,493	378,868	380,163	-.1	.3
Principal indebtedness:					
Total-----1,000 dollars----	3,198,006	3,309,883	3,516,215	10.0	6.2
Average-----dollars-----	8,400	8,740	9,250	10.1	5.8
Delinquent or extended:					
Number-----	14,580	17,989	12,834	-12.0	-28.7
Percent of total-----	3.8	4.7	3.4	---	---
Matured principal unpaid:					
Total-----1,000 dollars----	3,633	5,522	3,307	-9.0	-40.1
Average-----dollars-----	250	310	260	4.0	-16.1
Called for foreclosure:					
Number-----	240	254	238	-.8	-6.3
Principal indebtedness:					
Total-----1,000 dollars----	1,877	2,051	1,864	-.7	-9.1
Average-----dollars-----	7,820	8,070	7,830	.1	-3.0
Farm properties owned:					
Number-----	36	43	31	-13.9	-27.9
Principal indebtedness:					
Total-----1,000 dollars----	431	467	272	-36.9	-41.8
Average-----dollars-----	11,970	10,860	8,770	-26.7	-19.2

^{1/} Includes Puerto Rico. ^{2/} Excludes loans called for foreclosure. ^{3/} Gross number and amount of all loans made including new loans which replaced old loans, and loans canceled prior to disbursement of loan proceeds. ^{4/} Increase in number or amount of loans, or both, by reason of reamortization, reinstatements, and so on. ^{5/} Consists of principal matured and paid in advance, special principal payments and loans paid off prior to maturity, plus net decrease or minus net increase in principal matured and unpaid during period. Principal matured and unpaid was \$3,632,945 on June 30, 1963, \$5,521,526 on Dec. 31, 1963, and \$3,307,226 on June 30, 1964. ^{6/} Includes loans replaced by new loans, loans canceled prior to disbursement of loan proceeds, loans canceled by deed, loans called for foreclosure, and loans charged off.

Farm Credit Administration - Accounting and Budget Division.

Table 5.--Federal land banks: Interest rates charged by districts, June 30, 1964

District	Rate	Effective date
	<u>Percent</u>	
Springfield-----	5.75	Mar. 27, 1961
Baltimore-----	<u>1</u> /5.50	Sept. 16, 1963
Columbia-----	<u>1</u> /5.50	July 1, 1961
Louisville-----	5.50	Jan. 1, 1961
New Orleans-----	5.50	Jan. 2, 1961
St. Louis-----	5.50	Jan. 1, 1961
St. Paul-----	5.50	Jan. 3, 1961
Omaha-----	5.50	Mar. 24, 1961
Wichita-----	5.50	Jan. 3, 1961
Houston-----	<u>2</u> /5.00	Dec. 1, 1962
Berkeley-----	<u>3</u> /5.20	Jan. 1, 1963
Spokane-----	5.50	Apr. 1, 1961

1/ New loans are written at 6 percent; borrowers are currently charged 5.50 percent.
2/ New loans are written at 5.50 percent; borrowers are currently charged 5.00 percent.
3/ New loans are written at 5.50 percent; borrowers are currently charged 5.20 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1963 and 1964 ^{1/}

Item	Quarter ending--			Percentage change, quarters ending--	
	June 30,	Mar. 31,	June 30,	June 30,	Mar. 31,
	1963	1964	1964	1963, and June 30, 1964	and June 30, 1964
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	87,527	96,517	97,258	11.1	0.8
Principal indebtedness-----1,000 dollars--	705,283	805,869	812,974	15.3	.9
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	4,149	2,413	3,984	-4.0	65.1
Principal indebtedness-----1,000 dollars--	39,872	24,461	39,605	-.7	61.9
Increase in principal of mortgages already owned-----1,000 dollars--	642	989	1,332	107.5	34.7
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	1,221	1,649	1,472	20.6	-10.7
Amount-----1,000 dollars--	6,214	7,621	7,327	17.9	-3.9
Other-----do-----	4,011	10,542	4,675	16.6	-55.7
Total-----do-----	10,225	18,163	12,002	17.4	-33.9
Percent of principal indebtedness, beginning of quarter-----	1.4	2.3	1.5	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	31	23	16	-48.4	-30.4
Principal indebtedness-----1,000 dollars--	108	182	182	68.5	0
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	90,424	97,258	99,754	10.3	2.6
Principal indebtedness-----1,000 dollars--	735,464	812,974	841,727	14.4	3.5
Mortgages behind schedule in regard to amortization payments:					
Number-----	4,428	2,444	3,724	-15.9	52.4
Percent of total-----	4.9	2.5	3.7	---	---
Principal indebtedness-----1,000 dollars--	39,088	22,715	34,001	-13.0	49.7
Percent of total-----	5.3	2.8	4.0	---	---
Mortgages in process of foreclosure:					
Number-----	70	73	78	11.4	6.8
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars--	851	918	1,022	20.1	11.3
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: ^{2/}					
Farm-ownership loans: ^{3/}					
Number-----	1,829	594	1,416	-22.6	138.4
Amount:					
Total-----1,000 dollars--	28,823	10,166	23,712	-17.7	133.2
Average-----dollars--	15,760	17,110	16,750	6.3	-2.1
Rural-housing loans: ^{4/}					
Number-----	2,913	2,608	4,262	46.3	63.4
Amount:					
Total-----1,000 dollars--	27,724	23,985	39,589	42.8	65.1
Average-----dollars--	9,520	9,200	9,290	-2.4	1.0

^{1/} Data for 48 States only. Includes loans on rural nonfarm residences. Separate data for farm-ownership and rural-housing loans are available upon request. ^{2/} Initial loans obligated. ^{3/} The interest rate on these loans is 5 percent. ^{4/} The interest rate on these loans is 4 percent.

Farmers Home Administration.

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1961 through 1964 1/

Item	July 1, 1961 to June 30, 1962	July 1, 1962 to June 30, 1963	July 1, 1963 to June 30, 1964
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	46	49	50
Refinancing--			
Mortgages held by--			
Farmers Home Administration-----	0	0	0
Others-----	34	28	24
Total-----	34	28	24
Other indebtedness-----	0	0	5
Total refinancing-----	34	28	29
Repairs and improvements to land and buildings-----	19	22	20
Other purposes:			
Known-----	1	1	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.